

2001 Revenue Review

In 2001, 92.4 percent of all tax revenue collected by the State of Nebraska was collected by the Nebraska Department of Revenue. Tax collections for the year were \$3,048 million, an increase of \$68 million or 2.3 percent above 2000. The receipts from permits, fees, and licenses collected by the department were \$506 thousand, a decrease of 15.0 percent from the previous year.

Over three-quarters of the department's net tax receipts in 2001 were from state sales tax and income taxes. Net individual income tax receipts increased \$33 million to \$1,256 million in 2001, an increase of 2.7 percent from 2000. Net receipts from corporation income tax were \$121.0 million in 2001, down \$29.0 million or 19.3 percent from 2000. Net state sales and use tax receipts for 2001 totaled \$922.3 million, an increase of \$25.9 million or 2.9 percent above 2000. Sales tax receipts included \$142.2 million of sales tax on motor vehicles.

The largest share of tax revenue is deposited in the State General Fund. General Fund revenue sources accounted for 77.1 percent of the total revenue collected by the Department of Revenue in 2001. Sales and income taxes are the primary sources of General Fund revenue.

Motor fuels taxes and sales tax on motor vehicles are deposited in state highway funds. Revenue deposited in the Highway Trust Fund, Highway Allocation Fund, and the Highway Cash Fund accounted for 13.7 percent of revenue collections.

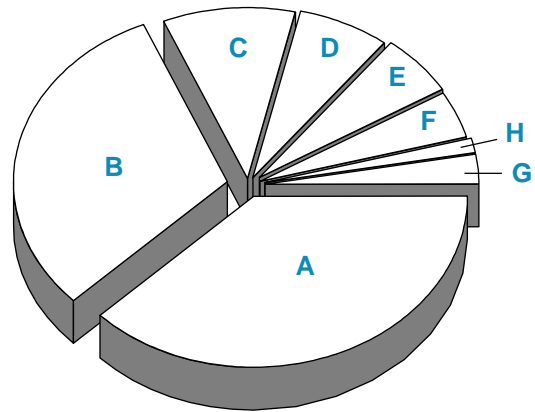
In 2001, 7.3 percent of revenue collections were distributed to local governments. City sales tax and county lodging tax are collected by the Nebraska Department of Revenue and distributed directly to cities and counties.

Revenue deposited in other governmental funds accounted for the remaining 1.9 percent of collections.

The major state revenue sources are described beginning on page 7. The descriptions include the basis and current tax rate, due dates of reports and payments, administering agencies or officials, and the manner of distribution of each tax or fee.

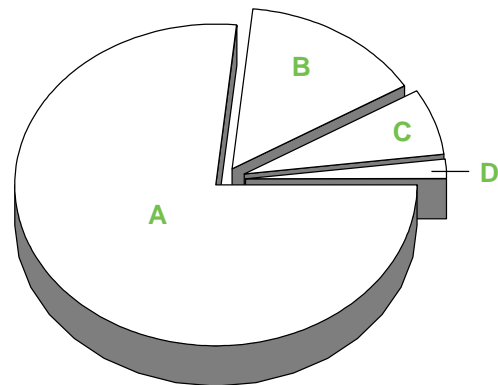
Sources of Revenue

A Individual Income Tax	41.2%
B State Sales and Use Tax	30.2%
C Motor Fuels Taxes	9.0%
D City Sales Tax	7.1%
E Corporation Income Tax	4.0%
F Sales Tax on Motor Vehicles	4.7%
G Other Collections	2.4%
H Cigarette Tax	1.4%



Distribution of Revenue

A General Fund	77.1%
B Highway and Road Funds*	13.7%
C Local Governments	7.3%
D Other Funds	1.9%



* Includes the Highway Trust Fund, Highway Allocation Fund, and Highway Cash Fund

2001 Revenue Legislation

The following is a summary of the major legislation passed by the 2001 Legislature that relates to taxes collected by the Nebraska Department of Revenue.

INCOME TAX

LB 169. The recapture provisions of the Employment Expansion and Investment Incentive Act (LB 270) were modified for credits earned in tax years beginning on or after January 1, 2001. The employer is subject to the recapture of such credits only when employment or investment falls below the minimum thresholds, not whenever employment or investment increases. The income tax credits earned by employers hiring persons residing within an Enterprise Zone are not affected should the employee fail to maintain residency within the Enterprise Zone.

LB 433. Businesses providing child care services to their employees or businesses making payments to a third party providing child care for the children of employees are allowed an income tax, deposits tax or premium tax credit. The credit is available for three years and may be taken for two additional years should the child care facility become accredited. The credit is thirty percent of the costs incurred by the business, not to exceed 50 percent of the tax liability of the business. If two or more firms share in the costs, the credit is to be divided among the firms in the same ratio as costs are shared. For partnerships, LLC's, or S corporations, the credit is passed through to the individual owners or members of the firm. Effective for tax years beginning on and after January 1, 2001.

LB 433. Owners of agricultural assets which are rented to qualifying beginning farmers or livestock producers are allowed a refundable income tax credit equal to five percent of the rental income. The credits are available to family farm corporations and to resident individuals receiving income from an estate or trust. The credit is effective for tax years beginning on or after January 1, 2001.

LB 620. Businesses expanding or beginning operations in Nebraska and meeting certain employment and investment and wage level criteria may qualify for new economic development incentives. Credits are granted with the hiring of new employees and additional capital investment. Companies creating five hundred new jobs and adding \$200 million in capital investment can choose to receive either an investment credit or a wage benefit credit. The minimum levels are twenty-five

new jobs and \$10 million of investment. The wage benefit credit depends on the average compensation of the workers at the project.

LB 750. Several aspects of the Nebraska College Savings Plan were clarified and amended to reflect provisions of the federal tuition savings programs found in section 529 of the Internal Revenue Code. The Plan became effective on January 1, 2001.

SALES TAX

LB 172. The Governor is authorized to enter into a multistate agreement to provide for simplified collection of sales taxes. The Legislature is required to ratify the agreement for it to become effective. The purpose of the agreement is to simplify and modernize sales and use tax administration by reducing the burden of tax compliance for sellers. The agreement will include a uniform state tax rate, uniform standards for sourcing transactions, uniform definitions of goods and services, uniform remittance forms and a centralized registration for companies using the system. Effective September 1, 2001.

MOTOR FUELS

LB 168. This bill eliminated the Nebraska Permit to Purchase Nonhighway Use Motor Vehicle Fuel. All other requirements necessary to claim a motor vehicle fuel tax credit for nonhighway use have not changed. This change is effective January 1, 2002.

This bill also allows Nebraska Motor Fuels to implement different filing frequencies through the issuance of rules and regulations, effective January 1, 2002.

LB 536. Revised the Ethanol Development Act. New ethanol facilities producing 100,000 gallons annually on or before June 30, 2004 are eligible for a production credit of 18 cents per gallon. The credits can be claimed through June 2012.

CHARITABLE GAMING

LB 268. Effective July 1, 2001, the number of days a qualifying nonprofit organization can conduct special event bingo is increased. With the change, a qualifying nonprofit organization can conduct special event bingo for up to 14 days.

LB 541. This bill reduced the amount of money to be transferred each year from the Charitable Gaming Operations Fund to the Compulsive Gamblers Assistance Fund to \$ 50,000.